

Welcome HOME



A lack of affordable housing is a pervasive problem in many Illinois communities. Finding creative ways to increase affordable housing can be a challenge. This Tool Kit is designed to provide basic strategies to jumpstart or breathe new life into a housing program in your community, and provide a 'welcome home' to deserving families.

Illinois' Largest Housing Challenge: Affordability

In many Illinois communities, the high cost of homes make it difficult for police officers, firefighters, teachers, nurses and other essential workers to reside in the communities they work in. The higher costs of homes force working families to live far from jobs and limit the workers' abilities to participate in both community and family life after their workdays end.

As home costs go up, the promise of a safe, decent home also becomes unattainable to many who form the foundation of our communities. Employers, in turn, lose the ability to attract and retain the workers necessary to grow their business. This can cause local economies to falter. As stated in the State of Illinois' Comprehensive Affordable Housing Plan of 2006*, "An adequate supply of affordable housing is a key factor that companies consider when locating or expanding their business, and thus affordable housing gives Illinois a competitive advantage in attracting investment."

Local Government Can Play an Important Role in Housing Affordability

For the most part, housing policies have been the domain of the federal and state governments. However, addressing the insufficient supply of affordable housing is a challenge that municipal governments should take on in order to build stronger communities.

The purpose of this Tool Kit is to identify strategies that local leaders can implement to help working families afford homes in the communities they support.

Housing challenges and solutions can vary significantly from place to place. What works in one locality may not work in another. Each community needs to develop housing strategies tailored to fit its specific needs.

The Illinois Association of REALTORS® along with your local Association of REALTORS® hope that you find this Tool Kit helpful in developing those strategies.

How Do Communities Develop Effective Affordable Housing Programs?

Here are a few STRATEGIES that have been successful in municipalities throughout the country and in Illinois.

- Creating a Homebuyer Assistance Program**
- Evaluating Existing Barriers to Home Ownership and Development**
- Finding Revenue Sources for Housing Programs**
- Developing Incentives for the Production of New Affordable Homes**



* To learn more about the Housing Affordability and Appeal Act, visit www.ihda.org

STRATEGY ONE

CREATING A HOMEBUYER ASSISTANCE PROGRAM

Several municipalities in Illinois have created their own homebuyer assistance programs that serve the needs of low and moderate income families through the resources of the State, local lenders, and the municipality.

Since 2001, over 50 municipalities have collaborated with Illinois Housing Development Authority (IHDA), in designing and offering homeownership opportunities to their residents.

Home rule municipalities may “cede” all or a portion of their tax-exempt private activity bond cap to IHDA for the creation of a customized program for their community. The program can help first-time homebuyers purchase a home and enjoy all the benefits that homeownership brings. It can be tailored to address any specific population or concern for the community such as offering:

Below market rate mortgages

Closing cost and down payment assistance

Discounted Private Mortgage Insurance/Mortgage Payment Protection Plans

I-Loan Certificates that provide credit to federal income taxes that can be taken by the borrower as an increase on the paycheck or as a tax return

For information from IHDA on this partnership, contact Roger Morsch, Director of Business and Product Development at 312/836-5230 or to learn more about the Authority, visit www.ihda.org. Municipalities can also access other state and federal subsidy programs to help assist homebuyers.

See www.ihda.org, and click on “Home Ownership Programs” for more information on how municipalities can apply for HOME Investment Partnership Programs.

Working in Partnership with Other Municipalities

The ASSIST Program, which is offered in several municipalities in Illinois, is a good example of how municipalities can work together to create a housing assistance program in their individual towns. With this program, several municipalities pooled their private activity bond volume and offered direct assistance to homebuyers. The ASSIST program offers a gift of 4.25 percent of the amount borrowed combined with a 30-year mortgage. To qualify, buyers need an income that is at 100% of the area median income or less.

IHDA-administered programs can be combined with other private (e.g. Federal Home Loan Bank) or governmental (e.g. County Development Agencies) funding sources to expand the eligibility/assistance or add additional features to the program.

STRATEGY TWO

EVALUATING EXISTING BARRIERS TO HOME OWNERSHIP AND DEVELOPMENT

Often times, municipal leaders have tools available to them that they are unaware of that can facilitate an increase in housing opportunities. These “tools” are in fact the review, reevaluation, and possible repeal of regulatory policies that affect various types of housing development. Onerous zoning and other land use policies that may be well intentioned can inhibit opportunities for housing for many people.

■ Zoning Policy

Zoning is a regulatory tool that provides a municipality with great power over land use. These policies can severely limit or greatly expand what an owner can do with their property. Unfortunately, many municipalities have zoning codes that are outdated and inflexible that can lead to a diminished housing supply. Curtailing the ability for housing providers to respond to today’s needs has a natural result of higher housing costs. According to a recent study by the Brookings Institution, “The weight of the evidence suggests

that places with stricter land use regulations differ systematically from those where they are less strict. The evidence is clearest...about housing prices, which are higher in strictly regulated places.”¹

District Limitations

The concept of separating property types through districts was borne about from incompatible land-uses such as factories and housing being built next to each other and it was considered unhealthy. While there is logic to preventing housing next to an industrial site that uses poisonous chemicals it makes little sense to not allow for a duplex to be built next to a single-family. Residential district regulations that could cause this example could be stringent lot size requirements, minimum square footage requirements, or specific residential use

¹Pendall R., Puentes, R., Martin, J. *From Traditional to Reformed: A Review of the Land Use Regulations in 50 Largest Metropolitan Areas*, Research Brief, August 2006, The Brookings Institution, Washington, D.C.



requirements to name a few. Regulations such as these provide little option for creative owners or property developers to provide housing for those who make low to moderate income. We recommend adopting flexible zoning requirements that allow for mixed-use development and for a diverse housing stock.

Zoning Changes

Rezoning that have taken place over time that have created “non-conforming” properties is an additional barrier that you may not have considered. In an effort to reduce overcrowding or resolve parking issues some municipalities have “downzoned” individual lots or districts. While this approach on the surface seems to make sense the municipality is actually diminishing the housing supply for those that can least afford it. For example a property may have been legally converted from a single-family property to a two-unit, however if it is subsequently downzoned and now is classified as non-conforming and cannot be rebuilt if there is major property damage, often times you are displacing a family that cannot afford another option. Downzoning also has been used to bring the zoning classification down to what the current use is. In this instance you don’t have a non-conforming property, however you have removed opportunities for future use when the property becomes a redevelopment opportunity. Beyond the parameters to ensure true health and safety for residents and business owners, zoning should not put unnecessary limitations on land use.

Prohibited Uses

Some municipalities have outright prohibitions on residential uses such as manufactured housing and accessory dwelling units for example. Manufactured housing has been stigmatized by its history of being substandard, however building technology has come a long way on some of these units. In a publication prepared by the Center of Housing Policy, “Many of the higher-end manufactured homes are indistinguishable from manually-framed homes, yet cost thousands of dollars less to construct.”² Some examples of limitations created by disallowing accessory unit living arrangements are inhibiting lower cost opportunities for extended family members, or limiting the ability for the property owner to collect extra income to pay his own mortgage. We recommend that zoning policies be reviewed to make sure these options are available to property owners and developers.

²Lubell, J., *Increasing the Availability of Affordable Homes*, A Handbook of High-Impact State and Local Solutions, Homes for Working Families and the Center for Housing Policy, 2006, Washington, D.C., p. 12. ³Lubell, J., *Increasing the Availability of Affordable Homes*, A Handbook of High-Impact State and Local Solutions, Homes for Working Families and the Center for Housing Policy, 2006, Washington, D.C., p. 14.

Additional Requirements

Unreasonable design and landscape requirements also can severely impact the bottom line on housing development. While minimum standards to ensure quality of life for the resident and their neighbors make sense, a municipality must also consider that some requirements can have a significant impact on property prices. Examples could be requiring a brick and masonry façade rather than a vinyl material, or requiring sod instead of grass seed. The desire for every home to include higher end materials and amenities that do not increase product utility can limit the ability for many area workers from living in your community.

■ Land Development Approval Process

While it is important for a proposal to be properly vetted and reviewed, municipalities should take a close look at what steps in the approval process can be expedited or eliminated. In a typical municipality in Illinois, the process to get a proposed development approved is comprised of many steps, typically taking several months of meetings and reviews. All the while, the property owner is paying professionals such as attorneys, engineers, architects and other consultants to assist them in getting through the process, which in turn, affects the final sale price of the home to be purchased.

Density and Open Space Requirements

Low density and open space requirements for new development should only be approved after careful analysis of its housing impact. While large lots created by low density requirements meet certain quality of life goals they also decrease the number of units available and are expensive to maintain. In regards to open space, requiring large tracts of land to remain undeveloped result in diminished opportunity to provide housing. We understand that open vistas and beautiful views have value, however those benefits have to be balanced with the need for more attainable housing in your community.

Development Fees

Every fee that a unit of government adds onto the development of a home has substantial impact on the cost of housing within the community. While the mantra that “growth has to pay for itself” is valid, it is not uncommon for impact fees to be arbitrarily assessed and potentially quite regressive. The Center for Housing Policy states in its publication “...working families may be forced to bear more than their fair share of these costs.”³

STRATEGY FOUR



DEVELOPING INCENTIVES FOR THE PRODUCTION OF NEW AFFORDABLE HOMES

Public policy at the municipal level should increase its focus on the best way to spur production of residential units that are affordable to middle and lower income persons and families. While this can be done in a variety of ways we recommend an incentive-based approach that includes density bonuses, fee waivers, companion funding policies, creative use of TIF, and expeditious permit and review policies. Some municipalities have entertained mandatory approaches like a “set-aside”, however a community can run the risk of driving away residential development if certain margins are not achieved and the project is no longer feasible. In the long run, this translates into the diminished growth of the municipal tax base.

Municipal leaders should work with the development community on the best ways to incentive-ize new affordable homes.

There are several incentive-based approaches to developing newly constructed affordable homes that should be explored.

Density Bonuses

A municipality can allow the developer to develop a greater number of market rate units than would be permitted by right as a way to compensate for the reduced rate of return on the affordable units. In return for the greater density, the developer agrees to provide some number of affordable units. The developer’s general rule of thumb is that one additional market rate unit is needed for every affordable unit that is provided.

Waiver of Fees

Any fees that are tied to the development process should be considered for waiver on the affordable units. Permit fees, tap-on fees, local impact fees, etc. should all be considered. In other words, if a developer agrees to provide three new affordable units in a new development, the fees related to the three affordable units should be waived.

Assistance to Builders in Exchange for Affordable Homes

Municipalities can encourage developers to set aside a certain number of units as affordable by providing special assistance which could include the following:

Relaxation of specific requirements regarding such things as height restrictions, setbacks, parking, provisions, floor area requirements.

The municipality can perform the marketing of the affordable units as well as the qualification of prospective buyers.

Discounted City Land. If the City acquires land that is donated or sold at a lower price, that land can be sold to a developer at a discounted price in exchange for the construction of affordable units.

TIF Districts and Enterprise Zones

A municipality may create a Tax Increment Finance (TIF) district that can be a mix of commercial and residential uses. The municipality could require a set-aside of a specific number of affordable residential units for new development within the TIF. Enterprise zones are another tool that should be explored as a way to revitalize a neighborhood or incentive-ize the creation of new affordable housing.

Expedited Permitting and Review Policies

As mentioned in Strategy Two, many municipalities have time-consuming processes for obtaining building permits, zoning variances and other approvals. By adopting expedited permitting and review processes for developments that have affordable units, the cost of producing the affordable units is reduced and thereby serves as an incentive.

Goals and Measurements: Are the Incentives Working?

When an Affordable Housing Program is being created, it is very important to incorporate goals and identifiable measurements which will help indicate whether the policy that’s been adopted is working and is effective.

The incentives-based approach can work. As an example, a soon-to-be completed condominium project in north Arlington Heights (called Timber Court), twenty-one new, affordable condos will be available for purchase.

Read more about how this was accomplished without strict mandates but with a collaborative effort between the Village and the developer: www.metroplanning.org/homegrown/bd_TimberCourt.pdf.

As you contemplate the challenges of creating mutually beneficial affordable housing program, it is our hope that you call on us for our experience and willingness to be part of the solution



Impact fees in some municipalities can be more than \$35,000.⁴ This included with high land costs can prohibit a person from purchasing a property before a brick is even put on the ground! In addition, other development fees can be quite limiting as well, water tap-on fees, permitting fees, development review fees are all examples of fees that should be reanalyzed to reveal the negative impact on many potential residents.

As a final suggestion we recommend that you subscribe to the U.S. Department of Housing and Urban Development’s (HUD) Regulatory Barriers listserv.

This can be found at <http://www.huduser.org/rbc/network.html>. This will provide you with information on what other areas are doing to reform their local requirements to encourage more affordable housing development. You also might consider participating in HUD’s National Call to Action that can be found at <http://www.huduser.org/rbc/nca/index.html>. Since its inception in January 2007, this initiative is a way for units of government to work together to increase housing opportunities through regulatory reform strategies.

STRATEGY THREE

FINDING REVENUE SOURCES FOR HOUSING PROGRAMS

Resources for Housing Programs

There are a variety of state and federal resources that can be accessed and used in conjunction with local resources to create a housing program. Some municipalities in Illinois use their Community Development Block Grant (CDBG) budget for homebuyer assistance programs. Subject to certain criteria, the U.S. Department of Housing and Urban Development (HUD) provides access to financial resources to municipalities committed to providing housing options to those with incomes that won’t allow them access to the community.

Visit the HUD website at www.hud.gov to research whether your city or village may gain access to either Community Development Block Grant (CDBG) funds or HOME Investment Partnership (HOME) funds to increase affordable housing options within your community.

Using Your Own Bonding Authority

If you are a home rule municipality, you may be eligible to use your own bonding authority for either housing rehabilitation programs or down payment assistance programs. We recommend that you check with your finance department or bond specialist to see if this is an option for you. As an example, the Village of Oak Park has leveraged its bonding authority in tandem with IHDA to create a first time homebuyer program through participating lenders.

Employer Assisted Housing

As you review your annual budgets you might consider an allocation for down payment assistance to employees of your municipality. We advise you to check with your finance and legal departments to assess the feasibility of such a program.

Additionally, working with local employers to encourage them to develop similar programs can go a long way to provide those who work in the community the ability to live there as well. As an added benefit, when working through a non-profit housing agency in your area, an employee can be eligible for a tax credit and/or matching grants in Illinois. We suggest you refer them to IHDA for further information. Their website information is listed on the back of this publication.

Housing Trust Fund

A municipality can also dedicate a portion of expected property tax revenue growth toward a housing trust fund. Housing trust funds are flexible vehicles for financing housing programs supported by dedicated sources. Because of their flexibility, housing trust funds can be invaluable tools that complement more restrictive funding sources.

The Rental Housing Support Program (RHSP)

The State of Illinois will be starting a new program in the spring of 2008, called the Rental Housing Support Program. The State will be providing funding for monthly rent subsidies for units that house low-income families and individuals. Tenants pay a portion of the rent directly to the landlord and a program administrator pays the remainder of the rent directly to the landlord. This program can be promoted to landlords in your municipality. Contact the Illinois Housing Development Authority (IHDA) to find the program administrator in your area.

⁴ Meeting Minutes, City of Marengo, July 10, 2006, cityofmarengo.com/pdfs/cmmeetings/ccmin071006.pdf.

Additional Web Resources

Illinois Housing Development Authority
<http://www.ihda.org/>

Affordable Housing – Design
<http://www.designadvisor.org/>

Manufactured Housing
<http://www.manufacturedhousing.org/default.asp>

Modular Homes
<http://homebuying.about.com/cs/modulareducation/a/modularhomes.htm>

Modular Homes – NAR
<http://www.realtor.org/libweb.nsf/pages/fg321>

US Department of Energy
http://www.eere.energy.gov/state_energy_program/grants_by_state.cfm/state=IL

Department of Commerce and Economic Opportunity
http://www.commerce.state.il.us/dceo/Bureaus/Energy_Recycling/Energy/Energy+Efficiency/housing_energy_program.htm

Heartland Alliance
<http://www.heartlandalliance.org/maip/research.html#Affordablehousing>

Partnership for Homeownership – Housing Initiative
<http://pfho.org/HousingInitiatives03/housinginitiatives03.htm>

Home from Work – Employer Assisted Housing Program – NAR
<http://www.realtor.org/housopp.nsf/pages/homefromwork06?opendocument>

Housing Opportunity Development Corporation
www.hodc.org

Assets Illinois Program
<http://www.dhs.state.il.us/page.aspx?item=30821>

The Center for Housing Policy has a publication entitled “A Handbook of High Impact State and Local Solutions”
www.nhc.org



**ILLINOIS
ASSOCIATION OF
REALTORS**

THE AMERICAN DREAM
can be **ACHIEVABLE**



**ILLINOIS
ASSOCIATION OF
REALTORS**

P.O. Box 19451 • Springfield, IL 62794-9451 • www.illinoisrealtor.org

Find Out How Affordable Housing Can Be Achieved In Your Community

LIVE THE DREAM~
achieve **AFFORDABLE HOUSING**